



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

April 16, 2007

AGENDA ITEM 6a

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Global Equity Consolidated Delegation
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Approve the Global Equity Consolidated Delegation
- IV. ANALYSIS:**

Summary

Attached for the Investment Committee's review:

- Proposed Global Equity Consolidated Delegation Resolution (Attachment 1)
- Proposed Delegation Matrix (Attachment 2)
- Performance At Risk (PAR) Matrix (Attachment 3)
- The Board's Global Equity Consultant, Wilshire Associates, opinion letter (attachment 4)
- The Board approved Guidelines for Delegating Investment Authority (Attachment 5)

Staff recommends the Investment Committee's approval of the proposed Global Equity Consolidated Delegation. Staff and the Board's Global Equity Consultant, Wilshire Associates, jointly developed the proposed delegations. See the Proposed Delegation Matrix (Attachment 2) for a table illustrating the existing and proposed delegations.

Current delegations to Global Equity are contained in a variety of documents and Board resolutions including 18 separate Investment Policies. The proposed Global Equity Consolidated Delegation simplifies the structure of the Delegations of Authority while also creating a holistic structure for controlling the Global Equity investment program.

Proposed Key Modifications

- Expresses investment allocation discretion in terms of percentages rather than dollar amounts. This allows the Delegations to retain relevance as the overall program size changes through time.
- Increases investment allocation flexibility within the Corporate Governance program regarding allocations to an individual fund and co-investments with a Corporate Governance partner. This program is rapidly evolving and represents a significant portion of the opportunity set in Global Equity.
- Revising Developmental Fund decision making to require SIO approval, removing the CIO's approval.
- Add authority to hire from a newly created resource pool of consultants, systems and data.

The changes serve to enhance CalPERS' ability to benefit from the expertise of Staff. Greater flexibility and improved timeliness also enhance CalPERS' position as an "investor of choice" in the programs run by outside entities.

Background

This agenda item is a continuation of the ongoing CalPERS project to organize the investment staff's delegations of authority. Global Fixed Income, AIM and Real Estate have previously presented Consolidate Delegations for their respective groups. At the October 2006 Investment Committee meeting, the Committee adopted the Guidelines for Delegating Investment Authority (Attachment 5) which provided the outline for constructing the Global Equity Consolidated Delegations.

Guidelines for Delegating Investment Authority

Staff and Wilshire Associates have developed the proposed delegations via the Board's approved guidelines. The following explains the application of these guidelines to Global Equity.

1) Authority – The Global Equity delegations are consistent with chain of command for decision making and are made primarily to the Senior Investment Officer – Global Equity who has significant experience in the breadth of topics attached to equity investing. They allow the Senior Investment Officer – Global Equity to effectively manage the Global Equity Portfolio. Authorization from the Chief Investment Officer is required for extended allocations and capital commitments to programs within the Developmental Fund.

2) Consistency – The Global Equity delegations are consistent with those in other asset classes where appropriate. The delegations scale with the risk potential endemic to any particular category while providing flexibility to allow the recognition of evolving investment attractiveness.

3) Investment Limits – Investment limits are contained in the delegation and are expressed as percentages where appropriate. Expression of these limits as percentages allow the delegations to retain relevance as the size of the CalPERS portfolio changes over time. The percentages have been converted to dollar amounts in the Proposed Delegation Matrix (Attachment 2) consistent with the Board approved Guidelines for Delegating Investment Authority (Attachment 5). Also shown for comparison, are the 2/28/07 asset values of CalPERS' actual investments.

4) Performance and Value at Risk – Performance at Risk (PAR) is a statistical measure that indicates how many basis points a particular delegation can be expected to deviate from the benchmark 5% of the time. Not all delegations are associated with a PAR or VAR calculation. These measures are appropriate in delegations related to the allocation of capital in any investment that has the potential to generate returns different from the overall Global Equity benchmark (combined Wilshire 2500 and FTSE All World ex non-permissible countries). The PAR values associated with the proposed Global Equity delegations are shown in the Performance at Risk (PAR) Matrix (Attachment 3).

5) Controls – Control of the investment activity related to staff's delegations happens at many levels and involves a wide variety of resources from CalPERS, the custodian, external consultants, external managers, and trade counterparties.

- Segment Allocations within Global Equity – The allocation of assets within Global Equity is primarily the responsibility of the Senior Investment Officer – Global Equity. The high level allocations are reported on a weekly basis on the CalPERS Estimated Asset Allocation report created by the CalPERS' Risk staff and distributed to the Chief Investment Officer, all Senior Investment Officers and all Senior Portfolio Managers. The segment and program asset levels and investment performance are also reported on a monthly basis by the CalPERS' custodian and reviewed by both CalPERS investment staff and the external consultants. The CalPERS asset allocation committee meets monthly to review asset class exposures.
- CalPERS' Global Equity staff monitor the value and performance of the array of internal and external investment programs on a continuous basis using a wide variety of tools. These tools include custom

portfolio exposure, risk and rebalancing tools contained in Factset, risk metrics from Vestec and BARRA, and custodial reports.

- Policy monitoring is carried out by both internal and external managers and reported on a monthly basis. Policy considerations are also built into many of the portfolio management tools.
- Trade and instrument compliance related to internal portfolios are enforced by the Charles River Order Management System and reviewed by the CalPERS compliance staff. CalPERS' external trade counterparties are provided with trade guidelines when dealing with derivatives to avoid any issues. Where appropriate, external manager portfolios are monitored by staff in the External Manager, Corporate Governance and RMARS groups as well as the custodian.

- 6) Cross Asset Class Issues – Cross asset class issues were considered in the preparation of the Global Equity Consolidated Delegation Resolution. Specific delegation impacts from other asset classes are almost non-existent due to the separated nature of CalPERS asset class programs. Global Equity does collaborate with other asset classes in several areas. For example, decisions made within the RMARS program are vetted by the Advisory Board of CalPERS Hedge Fund Partners, LLC. This Advisory Board is made up of staff from Global Equity and AIM. Global Equity manages REIT portfolios on behalf of the Real Estate group and provides information to, and coordinates trading activity with the Currency Group within Global Fixed Income.
- 7) Other Factors to Consider – Global Equity is perhaps the most complex of all CalPERS investment programs. This area manages about two thirds of the entire CalPERS plan and includes internal and external management; passive and active investment objectives; and a wide array of corporate interaction through the Corporate Governance program. To efficiently manage and take advantage of the evolving opportunities presented in this dynamic asset class requires the flexibility built into the proposed delegations.

As a practical matter, there is significant interplay between the delegations and the investment policy statements. As a part of this project, staff has identified delegations currently located within the policies and has placed them into the Proposed Global Equity Consolidated Delegation Resolution. As staff moves forward with the Policy Project, the delegation language in the policies shall be deleted. These changes shall be brought to the Policy Subcommittee and the Investment along with other policy revisions. The Investment Committee shall kindly note that the Delegation Resolution refers to specific Investment Policies with numerical references. In the future, if Policy revisions result in changes to the numerical references, staff shall update the Delegation Resolution accordingly.

V. STRATEGIC PLAN:

This project supports the following 2005 Strategic Plan Goals:

- Goal II to foster an environment that values quality, respect, diversity, integrity, communication and accountability.
- Goal VIII to manage risk and volatility of assets and liabilities to ensure sufficient funds are available, first to pay benefits and second, to minimize and stabilize contributions.
- Goal IX to achieve long-term sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

Memorializing the Board's delegation process and consolidating current and future delegations will improve the transparency and efficiency of Board, Investment Committee and staff operations. Upon completion of the project, the Investment Program will have a streamlined policy and delegation framework that is clear, consistent and accessible.

Eric B. Baggesen
Senior Portfolio Manager

Christianna Wood
Senior Investment Officer

Anne Stausboll
Assistant Executive Officer

Russell Read
Chief Investment Officer

STATE OF CALIFORNIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

INVESTMENT COMMITTEE

DELEGATION RESOLUTION

Professional Staff

Global Equity

[insert number]

[Legal Office will assign a number upon approval]

WHEREAS,

1. In accordance with Government Code section 20120, the Board of Administration of the California Public Employees' Retirement System (the Board) is charged with the administration and management of the California Public Employees' Retirement System (CalPERS), and
2. In accordance with Government Code section 20171, the Board is also charged with the exclusive control of the administration and investment of the Public Employees' Retirement Fund (the Fund), and
3. In accordance with Article XVI, section 17 of the California Constitution, the Board has plenary authority and fiduciary responsibility for the investment of CalPERS assets, and
4. In accordance with Government Code section 20099, the Board is authorized to appoint a committee of one or more of its members to perform any act within the power of the Board itself to perform, and may through express delegation authorize any such committee to act finally, and
5. In accordance with Government Code section 20099, the Board may authorize its Chief Executive Officer (CEO) to perform any act within the power of the Board itself to perform, and may through express delegation authorize the CEO to act finally, and
6. The Board has adopted a Statement of Governance Principles relevant to the granting of delegations, and
7. Through Board Delegation Resolution No. 89-01 and pursuant to Government Code section 20191, the Board delegated to its Investment Committee the authority to make, through final action and by the affirmative vote of at least seven members, any investment authorized by law, and to re-delegate its authority to others, and

8. Through Board Delegation Resolution No. 04-05-BD and pursuant to Government Code section 20191, the Investment Committee re-delegated to its Policy Subcommittee the authority to draft new policies and recommend modifications to existing policies to the Investment Committee, provide periodic reports to the Investment Committee, and make other necessary or appropriate recommendations to the Investment Committee, and
9. Through Board Delegation No. 95-101, the Board has delegated to the CEO principal authority and responsibility to direct and manage staff to execute the policies adopted by the Board and administer the various programs consistent with the policies, and to re-delegate to others, and
10. The Board and its committees retain the implied authority, pursuant to Government Code section 20099, to re-delegate their authority directly to the Chief Investment Officer (CIO) and Senior Investment Officers and such re-delegations are deemed to have been made through the CEO and the CIO.

RESOLVED,

- (A) Recognizing the respective roles of the CEO as the internal leader of the organization and the CIO as the principal investment expert, and yet also wishing to gain the full benefit of the unique global equity expertise of the Senior Investment Officer (SIO)-Global Equity, the Investment Committee hereby delegates to the SIO-Global Equity, the authority described in the attached Global Equity Delegations (the "Delegations").
- (B) Where such Delegations do not prohibit sub-delegation, the SIO-Global Equity is authorized to re-delegate to his or her responsible subordinates any portion or all of the responsibility delegated to the SIO-Global Equity.
- (C) Where such Delegations do not specifically require the Investment Committee's review or ratification prior to action, the SIO-Global Equity has the authority to act finally, and to re-delegate, and will be responsible and accountable for his or her actions.
- (D) The exercise of authority under the Delegations shall be reported to the Investment Committee in sufficient detail to keep the Investment Committee appropriately informed and in order for the Investment Committee to monitor the performance of the SIO-Global Equity.
- (E) Upon adoption by the Investment Committee all Delegations will expressly supercede all prior delegations to the SIO-Global Equity.

Charles Valdes
Chair, Investment Committee
Board of Administration
California Public Employees' Retirement System

I accept this delegation.

Dated: _____

Christianna Wood
Senior Investment Officer – Global Equity
Investment Office
California Public Employees' Retirement System

Attachment A**Global Equity Delegations**

Within each of the following subject areas (as shown in italics), the Investment Committee delegates (as shown in bold) the following authority to the SIO-Global Equity:

I. Authority to Allocate Assets

*A. Authority to Establish Asset Classes and Asset Allocation (Targets and Ranges) for the Total Fund
(No Delegation)*

B. Authority to Establish Programs/Sectors Within an Existing Asset Class

1. **To establish new investment strategies and programs within the Developmental Investment Fund as set forth in policy approved by the Investment Committee.**

Developmental Investment Fund Program Policy, Section V, A, 3, b

C. Authority to Make Allocation Decisions Within the Asset Class and Among Programs/Sectors

1. **To allocate up to 0.50% of Global Equity assets into new investment process portfolios within the Developmental Investment Fund as set forth in policy approved by the Investment Committee.**

Developmental Investment Fund Program Policy, Section V, A, 3, b

2. **To allocate assets between Domestic and International Equity, Passive, Enhanced & Active and Alternative investment programs as set forth in policy approved by the Investment Committee.**

Global Equity Sub-Asset Class Allocation Ranges Program Policy, Section V, A, B, 1, 2, 3

Corporate Governance Investments Program Policy, Externally Managed, Section III, B, 4

Risk Managed Absolute Return Strategies Program Policy, Section III, B, 3

3. **To allocate capital within the Corporate Governance Co-Investment program as set forth in policy approved by the Investment Committee.**

Corporate Governance Investments Program Policy, Co-Investment Strategy, Section V, I

- a. **A maximum of 0.25% of Global Equity assets or an amount equal to CalPERS' capital invested in a co-investment partner's primary governance fund, whichever is greater, may be allocated in total to co-investments with a partner.**
4. **To allocate capital to absolute return fund investments within the RMARS program as set forth in policy approved by the Investment Committee.**
Risk Managed Absolute Return Strategies Program Policy, Section III, B, 3
 - a. **Investment in a single absolute return fund, or fund-of-funds, may be up to 8% of the RMARS program assets or up to 10% with CIO approval.**
5. **To allocate capital to the emerging manager fund-of-funds program up to 0.75% of Global Equity assets, as set forth in policy.**

II. Authority to Make Investment Decisions

A. Authority to Directly Invest In and Dispose of Public Securities

1. **To transact in equity securities of global, publicly traded companies, equity and stock index derivatives, currency and short term investments as set forth in policy approved by the Investment Committee.**
Pooled Standard & Poor's 500 Equity Index Fund – Internally Managed Program Policy, Section V, D, 1, 2
Pooled Standard & Poor's 500 Equity Index Fund – Internally Managed Program Policy, Section VIII, D & E
Deferred Compensation S&P 500 Equity Index Fund – Internally Managed Program Policy, Section V, D, 1, 2
Deferred Compensation S&P 500 Equity Index Fund – Internally Managed Program Policy, Section VIII, D & E
Global Enhanced Equity Strategies – Internally Managed Program Policy, Section V, E
Global Enhanced Equity Strategies – Internally Managed Program Policy, Section VIII, A & D
Equity Index Funds – Internally Managed Program Policy, Section V, E, 1
Equity Index Funds – Internally Managed Program Policy, Section VIII, A & D
Dynamic Completion Fund – Internally Managed Program Policy, Section V, E, 1
Dynamic Completion Fund – Internally Managed Program Policy, Section VIII, A & D
Developmental Investment Fund Program Policy, Section VI, C
Corporate Governance Investments Program Policy, Co-Investment Strategy, Section V, A, 1 & 3
Corporate Governance Investments Program Policy, Co-Investment Strategy, Section V, B & E

B. Authority to Select, Commit Funds to, and Dispose of/Exit Investments in Private Investment Vehicles

1. **To select and allocate capital to Corporate Governance Funds, including taking an equity stake, as set forth in policy approved by the Investment Committee.**
Corporate Governance Investments Program Policy, Externally Managed, Section III, B, 4
 - a. **Up to 0.25% of Global Equity assets may be committed to an initial or subsequent investment to an individual Corporate Governance Fund or Corporate Governance Emerging Market Fund.**
2. **To allocate capital within the Corporate Governance Co-Investment program as set forth in policy approved by the Investment Committee.**
Corporate Governance Investments Program Policy, Co-Investment Strategy, Section V, I
 - a. **A maximum of 0.25% of Global Equity assets or an amount equal to CalPERS' capital invested in a co-investment partner's primary governance fund, may be allocated to co-investments with a partner.**
3. **To allocate capital to absolute return fund investments within the RMARS program as set forth in policy approved by the Investment Committee.**
Risk Managed Absolute Return Strategies Program Policy, Section III, B, 3
 - a. **Investment in a single absolute return fund may be up to 8% of the RMARS program assets or up to 10% with CIO approval.**
4. **To allocate capital to MDP firms, including the option of taking an equity stake.**

C. Authority to Directly Invest In and Dispose Of Private Securities

1. **To transact in private securities representing a CalPERS equity stake in a Corporate Governance or MDP manager.**
Corporate Governance Investments Program Policy, Externally Managed, Section III, B, 4

D. Authority to Fund Investment Managers Retained through a Contractual Arrangement (pursuant to public contracting process)

1. To fund equity based managers as set forth in policy approved by the Investment Committee.

Domestic Enhanced Index Strategy – Externally Managed Program Policy, Section V, A, 2

Domestic Enhanced Index Strategy – Externally Managed Program Policy, Section V, B

International Enhanced Index Strategy – Externally Managed Program Policy, Section V, A, 2

International Enhanced Index Strategy – Externally Managed Program Policy, Section V, B

Active Domestic Equities – Externally Managed Program Policy, Section V, A, 2

Active Domestic Equities – Externally Managed Program Policy, Section V, B

Active International Equities – Externally Managed Program Policy, Section V, A, 2

Active International Equities – Externally Managed Program Policy, Section V, B

Relaxed Long-Only Domestic Equity Strategy – Externally Managed Program Policy, Section V, A, 2

Relaxed Long-Only Domestic Equity Strategy – Externally Managed Program Policy, Section V, B

2. To fund managers retained to create fund-of-funds of emerging long-only equity managers as set forth in policy.

E. Authority Relating to Shareowner Resolutions and Proxy Execution

1. To vote proxy issues in compliance with CalPERS' Global Proxy Voting Principles for global equity securities.

Global Proxy Voting Principles, Section IV

2. To respond to corporate actions as set forth in policy approved by the Investment Committee.

Developmental Investment Fund Program Policy, Section VI, E

Dynamic Completion Fund – Internally Managed Program Policy, Section V, F

Equity Index Funds – Internally Managed Program Policy, Section V, F

Global Enhanced Equity Strategies – Internally Managed Program Policy, Section V, F

Pooled Standard & Poor's 500 Equity Index Fund – Internally Managed Program Policy, Section V, E

Deferred Compensation Standard & Poor's 500 Equity Index Fund – Internally Managed Program Policy, Section V, E

III. Authority to Make Contracting Decisions

A. Authority to Select and Terminate Investment Managers (obtained through public contracting process)

1. To terminate an external manager.

B. Authority to Select and Terminate Investment Consultants Other than the Board's Investment Consultants

1. **To evaluate and select Absolute Return Fund Strategic Partners as set forth in policy approved by the Investment Committee.**
Risk Managed Absolute Return Strategies Program Policy, Section III, B, 4
2. **Staff may establish a Global Equity “spring-fed pool”, consisting of consultants, tools and data, to meet program needs.**

Global Equity Delegations

Global Equity
2/28/2007 (2) \$143.20

Segment	Existing Delegations			Current Exposures 2/28/07		Proposed Delegations				
	Policy Target (1)	SIO Policy Range (1)	With CIO Policy Range (1)	Current Global Equity Exposure (2)	Current Allocation Percent	Policy Target (1)	SIO Policy Range (1)	SIO Policy Range \$'s (2)	With CIO Policy Range (1)	With CIO Policy Range \$'s (2)
Passive	70%	55% - 85%	50% - 100%	\$91.6	64%	70%	55% - 85%	\$78.8 - \$121.7	50% - 100%	\$71.6 - \$143.2
Enhanced / Active	20%	10% - 30%	0% - 40%	\$40.5	28%	20%	10% - 30%	\$14.3 - \$43.0	0% - 40%	\$0 - \$57.3
Alternatives	8%	4% - 12%	0% - 16%	\$11.1	8%	8%	4% - 12%	\$5.7 - \$17.2	0% - 16%	\$0 - \$22.9
Alternatives										
Corporate Governance	3%	1% - 5%	(5)	\$4.6	3%	3%	1% - 5%	\$1.4 - \$7.2	(5)	
Manager Development	3%	1% - 5%	(5)	\$1.9	1%	3%	1% - 5%	\$1.4 - \$7.2	(5)	
Risk Managed Absolute Return	3%	1% - 5%	(5)	\$4.6	3%	3%	1% - 5%	\$1.4 - \$7.2	(5)	
External										
Environmental		\$0 - \$500 mm		\$505.1 mm	0.35%		0% - 0.5%	\$0 - \$716 mm		
Emerging Manager Fund-of-Funds		\$0 - \$1 B					0% - 0.75%	\$0 - \$1		
Corporate Governance (CG)										
Allocation to an individual fund		\$200 mm					0% - 0.25%	\$0 - \$358 mm		
Emerging equity market funds		10% of CG					0% - 10% of CG	\$0 - \$720 mm		
Co-investment partners (each) (3)		\$150 mm					0% - 0.25%	\$0 - \$358 mm		
Risk Managed Absolute Return (RMARS)										
Allocation to an individual fund (4)		8% of RMARS	10% of RMARS				0% - 8% RMARS	\$0 - \$576 mm	0% - 10% RMARS	\$0 - \$1.4
Other										
Developmental Fund	\$500 mm		\$500 mm				0% - 0.5%	\$0 - \$716 mm		

- (1) Percentages are of the Global Equity (ex AIM) Program unless noted
(2) Dollar amounts are in billions unless otherwise noted
(3) Maximum co-investment limit of CalPERS' participation in manager's fund
(4) Includes fund of funds
(5) SIO range may be exceeded with approval of CIO

**Global Equity Delegations
PAR ANALYSIS**

Segment	PAR Analysis - Global Equity						PAR Analysis - Total CalPERS Fund					
	Current SIO PAR	Proposed SIO PAR	Current CIO PAR	Proposed CIO PAR	SIO Change PAR	CIO Change PAR	Current SIO PAR	Proposed SIO PAR	Current CIO PAR	Proposed CIO PAR	SIO Change PAR	CIO Change PAR
Passive												
Enhanced / Active	57.4	57.4	76.6	76.6	-	-	35.4	35.4	47.2	47.2	-	-
Alternatives	110.9	110.9	147.8	147.8	-	-	68.4	68.4	91.2	91.2	-	-
Alternatives												
Corporate Governance	41.3	41.3	(5)	(5)	-	-	25.4	25.4	(5)	(5)	-	-
Manager Development	13.8	13.8	(5)	(5)	-	-	8.5	8.5	(5)	(5)	-	-
Risk Managed Absolute Return	78.4	78.4	(5)	(5)	-	-	48.3	48.3	(5)	(5)	-	-
External												
Environmental	1.1	1.6			0.5	-	0.7	1.0			0.3	-
Emerging Manager Fund-of-Funds	1.4	1.4			-	-	0.9	0.9			-	-
Corporate Governance (CG)												
Allocation to an individual fund	2.1	3.8			1.7	-	1.3	2.4			1.1	-
Emerging equity market funds	14.5	14.5			-	-	8.9	8.9			-	-
Co-investment partners (each) (3)	2.0	4.8			2.8	-	1.2	3.0			1.8	-
Risk Managed Absolute Return (RMARS)												
Allocation to an individual fund (4)	6.3	6.3	7.8	7.8	-	-	3.9	3.9	4.8	4.8	-	-
Other												
Developmental Fund	-	8.3	5.8	-	8.3	(5.8)	-	5.1	3.6	-	5.1	(3.6)

- (1) Percentages are of the Global Equity (ex AIM) Program unless noted
(2) Dollar amounts are in billions unless otherwise noted
(3) Maximum co-investment limit of CalPERS' participation in manager's fund
(4) Includes fund of funds
(5) SIO range may be exceeded with approval of CIO



Andrew Junkin
CFA, CIMA, CAIA
Managing Director

March 26, 2007

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Global Equity Consolidated Delegations

Dear Russell,

You requested Wilshire's opinion with respect to the proposed consolidated delegation document for Global Equity. Wilshire recommends that the Investment Committee adopt this delegation document.

Background

Wilshire and Staff have worked together to develop this document over the past several months. Wilshire and Staff worked to identify existing delegations, which were located in a variety of documents and to combine them into a document using the guidelines that the Investment Committee approved at the October 2006 meeting.

For the most part, these delegations reflect the current delegated authority only. There are several instances where Staff is proposing to change the delegated authority from a dollar value to a percentage of the Global Equity portfolio. Specifically, those changes are for the Emerging Manager Fund of Funds program, the Corporate Governance Investments program, the Corporate Governance Co-investments program, and the Developmental Fund. In the last three cases, these conversions from dollars to percentages resulted in an increase in the resulting dollars of delegated authority. However, Wilshire believes that the use of percentages is more appropriate as they will automatically adjust the delegation to the size of the fund and that the size of the delegations is appropriate when judged by the success of the programs and the incremental Performance at Risk.

As with other asset classes', a logical question is, "Are these PAR scores appropriate?" Wilshire feels that these PAR levels are appropriate given the objectives of the Global Equity portfolios. Additionally, all of the policy limitations that are imposed on the Global Equity Staff are at least as strict as the typical policy limitations that are imposed on investment managers with similar mandates. Wilshire, views these PAR levels as a baseline from which to judge the "riskiness" of future proposed delegations, policy limitations and investment programs.

Conclusion

Wilshire recommends that the Investment Committee approve the Global Equity Consolidate Delegations. We believe that this document represent the next step in building a clear, consistent and straightforward framework for current and future delegations of authority.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in dark ink, appearing to read "Dan Jiri", is located below the "Best regards," text.

Guidelines for Delegating Investment Authority

Introduction and purpose

The CalPERS Board of Administration has adopted a Statement of Governance Principles, which addresses the role of the Board with respect to delegations.

The guidelines set forth below are to be used by the Board, the Investment Committee, the Policy Subcommittee, the Chief Executive Officer, and other pertinent staff in making investment-related delegations and sub-delegations. They are designed to provide guidance and consistency in granting authority.

It is staff's responsibility to ensure that delegations are set forth in a consistent, user-friendly format. All delegations shall include the information required by the Statement of Governance Principles and, in addition, shall include the requirements for reporting on actions taken pursuant to the delegation.

Guidelines

The following guidelines should be followed in granting investment delegations:

Factor	Guideline
Authority	Authority should be delegated in a manner that: <ul style="list-style-type: none">• Is consistent with the chain of command for decision making; and• Permits officials to make decisions they are in suitable positions to make.
Consistency	For management purposes, consistency is desirable within and across asset classes, but should not override other circumstances and considerations unique to the specific authority being delegated.
Investment limits	<p>Percentages – It is preferable to express investment limits as a percentage of a portfolio/program as the percentage will allow consistency in application as the size of the portfolio increases or decreases.</p> <p>Dollar Limits – In some cases dollar limits may be more appropriate, e.g., when the program is a pilot or start-up program.</p> <p>When percentages of a portfolio/program are used, corresponding dollar amounts based on the current size of the existing portfolio/program should be noted.</p>

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Guidelines for Delegating Investment Authority, Continued

Guidelines (continued)

Factor	Guideline
Performance and value at risk	Performance at risk and value at risk may be useful considerations in determining and evaluating the level of delegations.
Controls	Delegations should take into account the existence of appropriate controls, including e.g., compliance, the involvement of a third party or other fiduciary, or other checks and balances.
Cross asset class issues	Consideration should be given to issues and considerations that cross asset classes, e.g., a delegation could provide for consultation with staff in another asset class.
Other factors to consider	<p>Delegations may also take into account and may vary based upon factors including, but not limited to, the following:</p> <ul style="list-style-type: none">• Sensitivity or high visibility of decision/action;• Whether the portfolio/program is passively or actively managed;• Maturity of the portfolio/program; or• The need for flexibility to take advantage of investment opportunities.
